

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF MOUNTAIN	)	
UTILITIES, INC., TO INCREASE	)	CASE NO. 8425-B
ITS RETAIL GAS RATES	)	

O R D E R

On July 6, 1982, the Commission issued its Order in Case No. 8425 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased.

On September 8, 1982, Mountain Utilities, Inc., ("Mountain") filed Case No. 8425-A, notifying the Commission that its wholesale cost of gas would be increased by its supplier Kentucky West Virginia Gas Company ("Kentucky West") effective October 1, 1982. On October 1, 1982, the Commission issued its Order in Case No. 8425-A authorizing Mountain to place the increased rates into effect on and after October 1, 1982, subject to refund.

On October 7, 1982, Mountain filed Case No. 8425-B, in which Mountain revised its rates due to a second increase in wholesale gas costs from Kentucky West to be effective November 1, 1982.

On October 13, 1982, Mountain filed an amendment to Case No. 8425-A to be effective October 1, 1982. Due to Mountain failing to provide the 20 day notice as required by statute the amended rates could not become effective until on and after November 2, 1982, which was subsequent to the effective date of the second increase. Due to the proximity of the filing dates of 8425-A Amended and 8425-B, the former have been superseded by the rates granted in 8425-B. Accordingly, no action will be taken on Case No. 8425-A Amended.

Mountain's increase from Kentucky West is another one of those federally-mandated pass-throughs of higher gas prices in which upon the record this Commission has no discretion. Mountain will not realize even one cent of profit but simply will turn over to its supplier the increased amounts which it must collect from its consumers.

After reviewing the notice filed in this case and being advised, the Commission is of the opinion and finds that:

(1) Mountain's notice of October 7, 1982, set out certain revisions in rates which Mountain proposed to place into effect, said rates being designed to pass on the wholesale cost of gas from its supplier in the amount of \$55,308 or 60.88 cents per Mcf.

(2) The Public Service Commission is being asked to authorize a pass-through of a price increase already approved by the Federal Energy Regulatory Commission ("FERC"). Failure to allow this increase to be passed through to its retail consumers

on a timely basis would be unfair and unjust to Mountain and would ultimately result in higher rates to its consumers. The Commission has (in writing) indicated its opposition to the procedures and regulations used by FERC since 1975 to approve these supplier increases.

We are also actively presenting our views to FERC and to our Kentucky Congressional delegation concerning revisions to the Natural Gas Policy Act of 1978, which allows gas suppliers to raise their gas prices without regard to costs. Because of Natural Gas Policy Act formulas allowing producers to so raise their prices and because of the action of FERC in allowing such increases to pass through to the transmission company and through it to the distributing company, in this case Mountain, this Commission has no real authority in the matter. Under federal law and actions, this Commission serves merely as the conduit for the final pass-through of the increased cost of gas to the consumers when, as here, the distributing utility makes no profit from the increased prices which it must pay for gas purchased from the transmission company.

(3) The proposed rates will allow Mountain to recover only the increased cost of wholesale gas and will not permit it to make any profit in doing so. The magnitude of this filing exposes Mountain to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(4) Mountain's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 8425 dated July 6, 1982, is fair, just and reasonable, in the public interest and should be effective with gas supplied on and after November 1, 1982, subject to refund.

IT IS THEREFORE ORDERED that the rates contained in Appendix A be and they are authorized to be effective for gas supplied on and after November 1, 1982, subject to refund.

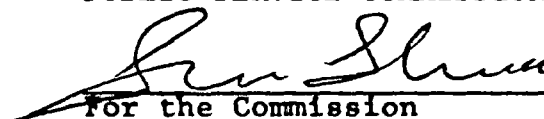
IT IS FURTHER ORDERED that for the purpose of the future application of the purchased gas adjustment clause the base rate for purchased gas shall be:

	<u>Commodity</u>
Kentucky West Virginia Gas Company	\$3.5320 per dth

IT IS FURTHER ORDERED that within 30 days after the date of this Order, Mountain shall file with this Commission its revised tariff sheets setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 29th day of October, 1982.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

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Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE  
COMMISSION IN CASE NO. 8425-B DATED  
OCTOBER 29, 1982

The following rates are prescribed for the customers in the area served by Mountain Utilities, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

RATES: Monthly

First	1 Mcf	\$7.5011 per Mcf
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All Over 1 Mcf	6.7261 per Mcf
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The minimum monthly bill shall be \$4.70 when less than 1 Mcf is used.

Customer Charge	\$5.00	per month
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All Mcf	.43	per Mcf
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